

For release: Immediately  
Contact: Brian Selander – 302-252-7860

## **Balanced Budget Proposal Invests in Jobs and Stronger Schools Markell Budget Makes Painful Cuts but Requires No New or Additional Taxes**

**“To keep Delaware moving forward in the future, we need to make the  
hard choices now.”**

*The budget documents are posted at:*  
<http://budget.delaware.gov/fy2012/budget2012.shtml>

Dover, DE - Governor Jack Markell introduced a balanced budget proposal today that reflects the administration's focus on creating jobs and improving schools. The budget marks another year of difficult but necessary cuts and efficiencies, and the administration has worked to protect the state's long-term financial future by tackling some of the fastest growing demands – state employee and retiree pension and health care costs.

“This is a difficult, but financially responsible budget. It makes clear our top priority for the present is helping people get back to work and expanding opportunity for people who are working,” Markell said. “It says clearly that the greatest investment we can make in our future is having the strongest possible public schools now. It keeps our core commitments in areas like public safety, public health and environmental quality and does so without the need for new taxes.”

The investments in education include funding for an additional 100 teachers, funding for teacher and paraprofessional salary steps, the implementation of full-day kindergarten in the Milford and Christina school districts and the development and enhancement of the Delaware Comprehensive Assessment System.

“Our students today are graduating into a job environment far different from what we faced. They are competing with graduates from around the world for jobs. We are competing with governments around the world to help make those opportunities available,” Markell said. “While we are making cuts in other areas, we have to maintain our commitment to the classroom to keep our commitment to our children and get them ready to succeed in this new economy.”

The state's budget balances despite additional budget demands including increases in health and pension costs, rising Medicaid costs, the end of federal stimulus help, and the need to budget for a “27<sup>th</sup> pay period” for state employees which occurs every 11<sup>th</sup> fiscal year and will cost \$54 million dollars in Fiscal Year 2012. The budget meets these challenge in part by making over \$100 million in additional agency and program cuts,

which are detailed below.

“We’re aware there are some unpopular choices here. We know that for almost every cut in this budget, there will be some who want to see that cut restored and that for every project that isn’t fully funded, there will be people pushing to see it get more money,” Markell said. “But if we’re going to make sure our children succeed, if we’re going to make sure that our financial future isn’t crowded out by runaway costs in a few areas, if we’re going to keep Delaware moving forward in the future, we need to make these hard choices now.”

Last year, more than 30 states balanced their budgets by anticipating that the federal government might provide additional funds to states to pay for schools and Medicaid costs; but Delaware balanced its budget with the money it had, not the money it hoped to get. Because the federal government did provide those resources later in the summer, Delaware began preparations for the Fiscal Year 2012 budget better able to meet its challenges.

The budget also makes clear that long-term solutions to rising costs in Medicaid and state employee health and pension benefits are important to protect the state’s long-term financial future. In the last ten years, state contributions to Medicaid increased 141% to 600 million dollars, employee health care costs have gone up 236% to \$350M annually and state contributions to the pension fund have increased 502%.

The Governor has directed Secretary Rita Landgraf of the Department of Health and Social Services and Director Ann Visalli of the Office of Management and Budget to make recommendations that will help us make sustainable changes to limit the rapid rise of Medicaid costs.

On employee health and pensions, the Governor is working together with the legislature, state employee union leadership and other stakeholders to find a sustainable solution to growing costs that will achieve \$100 million dollars in savings over the next five years.

“I am open to any and all good ideas. But we must secure the necessary savings during this session of the General Assembly, because the cost of delay is just unacceptable,” Markell said. “While we are taking a more collaborative approach to what the solution will be for pension and health-care costs, the goal of finding responsible savings in each area remains both clear and critical.”

In addition to the Operating Budget, the Governor also introduced the Capital Budget for Fiscal Year 2012, which makes investments in public education, higher education, research facilities and infrastructure. Those investments are detailed below. The capital budget also requests \$31.9 million dollars to replenish the state’s Strategic Fund, which

helped with economic achievements across the state, including: Fisker Automotive, PBF Energy, Cigna, Nanticoke Hospital, Summit Aviation, Perdue Agribusiness, DuPont Photovoltaic Solutions, Sallie Mae, Mountaire Farms and Baltimore Aircoil.

“In some profoundly difficult times, we have been able to make real the promise of restoring economic opportunity for a number of Delawareans – at places like Fisker and PBF - because the state’s Strategic Fund was available as a tool,” Markell said. “We need to maintain our ability to make investments in opportunities to put Delawareans back to work and keep other Delawareans working.”

The budget proposal now moves to the General Assembly for their consideration. Markell thanked the legislators for making difficult but financially responsible decisions the previous two budgets, which helped the state maintain a triple-A credit rating and fully fund its Rainy Day Fund despite inheriting historically high budget shortfalls.

“The legislature has made clear that they want to keep working together to build a Delaware that’s one of the best places in the country to build a business and raise a family. That means being willing to make some sacrifices now to make sure our long-term financial future remains sound,” Markell said. “I look forward to working with them to move this budget, and our state, forward.”

**Some of the more significant cuts proposed in the budget include (figures are in 1,000 of dollars):**

- Reduce administrative costs of Delaware Prescription Assistance Program - \$1,250.0
- Reduce supplies and materials funding in Dept. of Correction - \$778.7
- Reform health and pension benefits for state employees - \$3,200.0
- Eliminate Farmland Preservation funding - \$10,000.0
- Eliminate Open Space funding - \$10,000.0
- Reduce Higher Education funding - \$6,527.6
- Reduce DIMER and DIDER to freeze admission to the program for one year - \$507.5
- Eliminate Local Law Enforcement Education funding due to duplicate programs - \$50.0
- Improve procurement of vaccines in Division of Public Health - \$118.3
- Reduce contractual services in Services for Children, Youth and Their Families - \$1,250.0
- Reduce contractual services funding in DelDOT - \$ 496.0
- Reduce real-time crime reporting services - \$24.0
- Reduce fleet services - \$33.7
- Reduce contractual services in DHSS - \$1,407.8
- Reduce casual/seasonal positions in DHSS - \$2,341.6
- Realize efficiencies in Division of Aging and Adults with Physical Disabilities -

\$1,200.0

- Reduce grants, publishing and operations in the Delaware Heritage Office - \$17.1
- Implementing 90/10 Pupil Transportation split as a best practice - \$7,133.8
- Reduction of Charter School Transportation funding for equalization with school district reduction - \$500.0
- Eliminate Board of Parole and associated costs - \$529.2
- Eliminate in-house Printing and Publishing production in OMB - \$421.2
- Mandatory use of the Trapeze routing system to create more efficient school transportation routes per report recommendations - \$448.0
- Eliminate General Assistance funding in DHSS - \$4,547.5
- Reduce rental maintenance and software budget in DTI - \$679.2
- Eliminate Northeast Old Car Rally pass-through funding in DEDO - \$2.7
- Reduce mowing, parking lot and road maintenance for Angola Neck in DNREC - \$40.0
- Eliminate New Castle County (NCC) Dredge Program for NCC Conservation District - \$225.0
- Realize lease cost savings - \$80.9
- Reduce funding for equipment purchases in the Dept. of Finance - \$5.0
- Reduce printing and postage costs for personal income tax-related mailings and forms in the Dept. of Finance - \$48.1
- Reduce funding for staffing, collections and library services - \$72.6

**Projects proposed for funded through the Capital Budget include (figures are as stated):**

- \$1.0 million for Experimental Program to Stimulate Competitive Research (EPSCOR).
- \$1.0 million in state match for the IDeA Network of Biomedical Research Excellence (INBRE) Program.
- \$1.0 million for Fraunhofer Vaccine Development.
- \$5.0 million for the Diamond State Port Corporation.
- **\$93.0 million for Public Education projects.**
- Funding for Minor Capital Improvements.
- Funding for major capital projects in Appoquinimink, Capital, Seaford, Sussex Tech, Laurel, Woodbridge, Cape Henlopen, New Castle County VoTech and Polytech.
- **\$10.5 million for Higher Education projects.**
- Funding for projects at Delaware State University, Delaware Technical and Community College and the University of Delaware.
- \$20.1 million in agency Minor Capital Improvements and Equipment (MCI).
- \$2.3 million for NVF site redevelopment.
- \$1.5 million for DSHA Rental Assistance Program.
- \$4.0 million in Housing Preservation to preserve and maintain existing housing sites.
- \$6.0 million for libraries in Bear, Claymont, Dover, Greenwood, Smyrna and Wilmington.
- \$9.9 million for Howard R. Young Correctional Institution renovation.

- \$2.7 million for the Drinking Water State Revolving Fund, which leverages \$14.0 million in federal funds.
- \$1.0 million for Clean Water State Revolving Fund, which leverages \$5.0 million in federal funds.
- \$300,000 for new Troop 3 and Troop 7 in Camden and Lewes respectively.
- \$2.0 million for the completion of the Kent County Courthouse complex.